HOUSING MARKET INFORMATION

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CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

New Home Market

Housing starts decline in January

The number of housing starts was trending at 203,205 units in January[1]. The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR)[2].

The trend in total housing starts has been moderating since September 2012. The standalone monthly SAAR was 160,582 units in January, down from 197,106 units in December.

Figure 1

Source: CMHC; *seasonally adjusted at annual rates.

[1]CMHC uses the trend measure as a complement to the monthly SAAR of housing starts to account for considerable swings in monthly estimates and obtain a more complete picture of the state of the housing market. In some situations, analyzing only SAAR data can be misleading, as they are largely driven by the multiples segment, which can be quite volatile.

[2]All starts figures in this report are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban starts decline in January

In Canada's urban centres[3], the seasonally adjusted annual rate of housing starts was 138,139 units in January. This was down from December (-22.3 per cent).

The annual rate of multiple starts fell by 29.0 per cent to 78,744 units, while the annual rate of single starts was down by 11.0 per cent to 59,395 units.

In non-urban areas, the estimated seasonally adjusted annual rate of rural starts increased by 15.6 per cent, reaching 22,443 units in January, compared to 19,411 units in December.

Inventories of new and unoccupied units declined in January

Inventories of new and unoccupied housing units[4] had been stable over the past year but declined in January to 18,098 from 20,695 in December.

The inventory of new and unoccupied single- and semi-detached homes increased slightly to 6,892 units in January, from 6,751 in December.

As for row homes and apartments, the inventory of new and unoccupied units decreased to 11,206 units in January compared to 13,944 in December.

The ratio of the inventory of new and unoccupied units to population, a simple gauge of potential overbuilding, rose slightly at the end of 2012, reaching 5.8 in the fourth quarter of 2012, compared to 5.5 in the third quarter. However, the ratio of the inventory of new and unoccupied units to population still remained close to its historical average of 5.4.

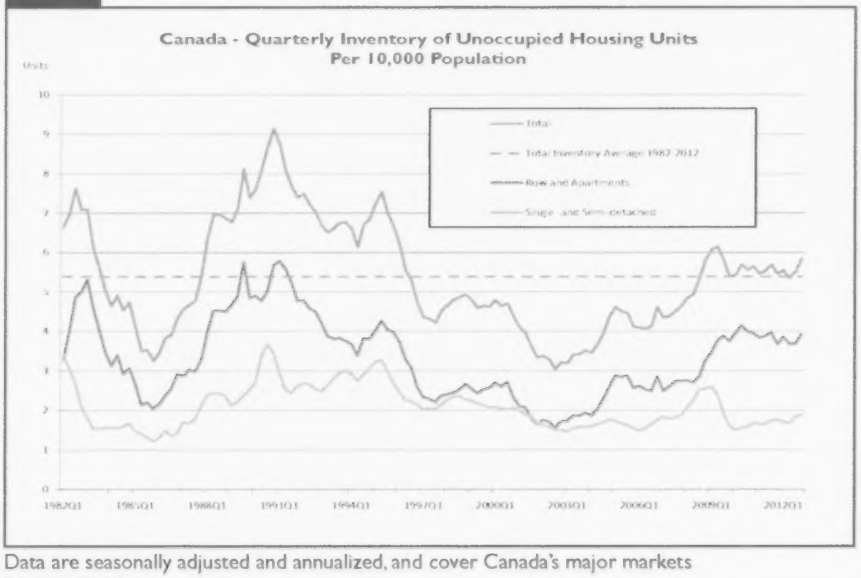
Construction intentions decrease for single-family and multi-family dwellings

The value of building permits for all dwellings fell by 13.1 per cent in December[5].

Construction intentions for multi-family dwellings, measured by value, declined by 24.6 per cent, for a sixth straight monthly decrease. The value of permits for single-family dwellings decreased by 5.3 per cent, for a third consecutive monthly drop.

Municipalities across Canada issued permits for the construction of 166,764 new dwellings (annual rate), down by

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Source: CMHC
Last data point: 2012Q4.

[3] Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 to 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

[4] The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of over 50,000.

[5] Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

15.2 per cent in December from the previous month.

The decrease was mainly due to the decline of 22.1 per cent in permits issued for the construction of multi-family dwellings, which reached 91,560 units in December, while those issued for single-family dwellings fell by 4.9 per cent from November to December, to 75,204 units.

New Housing Price Index growth remains stable

The NHPI rose by 2.3 per cent in December compared to the same month in 2011, after having posted a similar increase the previous month.

Existing Home Market

MLS® new listings rise in January

The seasonally adjusted annual rate of Multiple Listing Service® (MLS®)[6] sales increased by 1.3 per cent to 430,536 units in January, from 424, 884 units in December.

The seasonally adjusted annual rate of MLS® new listings in January was 855,852 units, for an increase of 1.6 per cent from 842,400 units in December.

Figure 3

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®
Last data point: 2013M01

Balanced market conditions continue in January

An indicator of price pressure in the existing home market is the sales-to-new listings ratio[7]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new listings ratio remained in balanced market conditions in January, as the increase in new listings slightly outpaced the rise in MLS® sales, which kept the ratio relatively unchanged at 50.3 per cent in January, from 50.4 per cent in December. Market conditions have been balanced since November 2011.

Resale market prices remain relatively stable

The national seasonally adjusted average MLS® price rose (+0.2 per cent) in January to $362,596 from $361,720 in December. The unadjusted average MLS® price increased 2.0 per cent to $354,754 from $347,732 a year before.

The MLS® Home Price Index[8], which uses statistical techniques to control for changes over time in the types and quality of homes sold, rose by 3.1 per cent from January 2012 to January 2013 in the markets covered, but decreased by 0.1 per cent in January 2013 from the previous month.

[6]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[7]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

[8]The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

Teranet-National Bank Composite House Price Index continues to decline

Teranet–National Bank Composite House Price Index™, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 0.3-per-cent decrease in January, following a 0.4-per-cent decline in December, but still showed a 2.7-per-cent increase over the previous year.

Economic conditions

According to Statistics Canada, employment decreased slightly in January by 0.1 per cent from the month before. However, a decline in the number of people looking for work pushed the unemployment rate down 0.1 percentage points to 7.0 per cent in January.

Compared with the corresponding month in 2012, employment was up 1.6 per cent in January (an increase of 286,400 jobs). Almost all the gains posted on a year-over-year basis were concentrated in full-time employment, which recorded an increase of 2.0 per cent or 285,200 jobs, while part-time employment remained relatively stable with a small increase of 1,100 jobs.

Statistics Canada's Consumer Price Index rose by 0.5 per cent in the 12 months to January, after having recorded an increase of 0.8 per cent in December. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.0 per cent in the 12 months to January, following an increase of 1.1 per cent in the previous period.

On January 23, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent. The Bank stated that *"While some modest withdrawal of monetary policy stimulus will likely be required over time, consistent with achieving the 2 per cent inflation target, the more muted inflation outlook and the beginnings of a more constructive evolution of imbalances in the household sector suggest that the timing of any such withdrawal is less imminent than previously anticipated."*

In its latest (January 2013) Monetary Policy Report (MPR), the Bank of Canada stated that *"The global economic outlook is slightly weaker than the Bank had projected in its October MPR. [...] In Canada, the slowdown in the second half of 2012 was more pronounced than the Bank had anticipated, owing to weaker business investment and exports. Caution about high debt levels has begun to restrain household spending. The Bank expects economic growth to pick up through 2013."*

The five-year posted mortgage interest rate remained unchanged at 5.24 per cent and has been stable since June 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on March 6, 2013. ■

This Month's Housing Data (SAAR)

Housing starts, units, 000s

	2012	Q2:12	Q3:12	Q4:12	M11:12	M12:12	M01:13
Canada. Total. All areas	**214.8**	**228.9**	**221.6**	**204.0**	**201.1**	**197.1**	**160.6**
Per cent change from previous period	10.8	11.6	-3.2	-7.9	-3.6	-2.0	-18.5
Canada. Total. Rural areas	**21.3**	**22.4**	**22.2**	**21.7**	**22.1**	**19.4**	**22.4**
Per cent change from previous period	8.5	18.8	-0.8	-2.6	-0.4	-12.0	15.6
Canada. Total. Urban areas	**193.6**	**206.5**	**199.4**	**182.4**	**179.0**	**177.7**	**138.1**
Per cent change from previous period	11.0	10.8	-3.5	-8.5	-4.0	-0.7	-22.3
Canada. Single. Urban areas	**67.2**	**68.0**	**68.5**	**65.3**	**62.2**	**66.8**	**59.4**
Per cent change from previous period	0.1	1.1	0.8	-4.6	-5.5	7.4	-11.0
Canada. Multiple. Urban areas	**126.4**	**138.6**	**130.9**	**117.1**	**116.8**	**110.9**	**78.7**
Per cent change from previous period	17.8	16.3	-5.5	-10.6	-3.1	-5.0	-29.0
Newfoundland. Total. All areas	**3.9**	**4.0**	**4.3**	**3.7**	**3.7**	**3.8**	**3.5**
Per cent change from previous period	11.4	13.6	6.6	-14.1	9.2	2.2	-6.9
Prince Edward Island. Total. All areas	**0.9**	**1.1**	**1.2**	**1.0**	**0.8**	**1.2**	**2.0**
Per cent change from previous period	0.1	138.8	6.0	-19.3	-13.4	57.0	69.0
Nova Scotia. Total. All areas	**4.5**	**3.7**	**5.4**	**5.2**	**3.2**	**3.2**	**7.4**
Per cent change from previous period	-2.6	-1.2	45.3	-3.8	-65.1	-0.7	131.0
New Brunswick. Total. All areas	**3.3**	**3.8**	**3.4**	**2.9**	**3.0**	**2.4**	**4.1**
Per cent change from previous period	-4.4	47.1	-11.2	-13.3	0.0	-20.1	75.0
Quebec. Total. All areas	**47.4**	**52.5**	**48.6**	**45.7**	**47.8**	**42.5**	**32.0**
Per cent change from previous period	-2.1	27.0	-7.5	-5.8	11.7	-11.1	-24.6
Ontario. Total. All areas	**76.7**	**81.7**	**78.7**	**69.1**	**60.2**	**77.4**	**43.9**
Per cent change from previous period	13.2	3.2	-3.8	-12.1	-13.1	28.4	-43.3
Manitoba. Total. All areas	**7.2**	**7.8**	**8.3**	**6.5**	**7.1**	**4.7**	**5.8**
Per cent change from previous period	19.1	16.1	6.2	-21.8	-2.5	-33.6	22.6
Saskatchewan. Total. All areas	**10.0**	**9.6**	**10.7**	**11.1**	**12.1**	**9.9**	**9.0**
Per cent change from previous period	41.8	9.6	11.9	3.7	11.4	-17.8	-9.7
Alberta. Total. All areas	**33.4**	**35.4**	**32.4**	**34.4**	**39.6**	**30.1**	**29.3**
Per cent change from previous period	29.9	13.2	-8.4	6.2	17.4	-23.8	-2.7
British Columbia. Total. All areas	**27.5**	**29.3**	**28.7**	**24.4**	**23.6**	**22.0**	**23.6**
Per cent change from previous period	4.0	5.9	-1.9	-15.1	-16.1	-7.0	7.5

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

Housing starts, units, 000s

	2012	Q2:12	Q3:12	Q4:12	M11:12	M12:12	M01:13
Canada. Total. Urban areas	193.6	206.5	199.4	182.4	179.0	177.7	138.1
Newfoundland. Total. Urban areas	2.5	2.6	2.7	2.4	2.3	2.5	1.9
Prince Edward Island. Total. Urban areas	0.7	0.8	0.9	0.7	0.4	1.0	1.5
Nova Scotia. Total. Urban areas	3.9	3.1	4.8	4.7	2.8	2.6	6.8
New Brunswick. Total. Urban areas	2.5	2.9	2.8	2.0	2.2	1.7	2.0
Quebec. Total. Urban areas	40.5	45.2	41.6	38.7	40.7	35.6	25.1
Ontario. Total. Urban areas	74.4	79.7	76.7	65.8	57.0	74.8	41.9
Manitoba. Total. Urban areas	4.9	5.4	5.9	4.0	4.7	2.8	3.1
Saskatchewan. Total. Urban areas	7.9	7.2	8.2	9.6	10.4	8.9	7.0
Alberta. Total. Urban areas	30.6	32.4	29.4	31.7	36.5	27.6	26.9
British Columbia. Total. Urban areas	25.5	27.3	26.3	22.6	22.0	20.3	21.8

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

New Housing

	2012	Q2:12	Q3:12	Q4:12	M11:12	M12:12	M01:13
New & unoccupied singles & semis, units 000s	6.8	5.7	6.1	6.8	6.6	6.8	6.9
Per cent change from same period previous year	9.0	2.9	6.7	9.0	9.2	9.0	13.3
New & unoccupied row & apartments, units 000s	13.9	12.7	12.7	13.9	13.4	13.9	11.2
Per cent change from same period previous year	7.8	-4.1	-5.6	7.8	6.1	7.8	-15.5
New House Price Index, 2007=100	108.0	107.8	108.3	108.8	108.8	109.0	n.a.
Per cent change from same period previous year	2.3	2.4	2.3	2.3	2.2	2.3	n.a.

Existing Housing

MLS® resales*, units 000s	453.4	470.3	440.3	428.9	426.4	424.9	430.5
Per cent change from same period previous year	-1.1	6.9	-4.0	-10.5	-10.8	-12.2	-8.8
MLS® average resale price, 000s**	363.7	364.5	361.0	361.8	360.8	361.7	362.6
Per cent change from same period previous year	0.3	-0.2	-0.5	0.3	-0.2	0.1	1.0

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	3.17	3.20	3.10	3.07	3.10	3.00	3.00
Posted 5-Year Mortgage Rate, % (period average)	5.27	5.34	5.24	5.24	5.24	5.24	5.24

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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